

AMENDED IN SENATE JUNE 23, 2005

AMENDED IN ASSEMBLY APRIL 25, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 203

Introduced by Assembly Member Harman

January 31, 2005

An act to amend Sections 19440.5, 19540, 19590, and 19602 of, and to add ~~Section 19411.1~~ *Sections 19411.1 and 19618.2* to, the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 203, as amended, Harman. Horse racing.

Existing law provides that the California Horse Racing Board shall have all powers necessary to carry out the purposes of the Horse Racing Law, such as adopting rules and regulations to protect the public, allocating dates for, and controlling horse racing and parimutuel wagering, and enforcing all rules and regulations.

This bill would make technical changes to the Horse Racing Law and would define the term “handle” to mean aggregate contributions to parimutuel pools.

Existing law prescribes the procedure by which the annual audit of the horsemen's organization is to be conducted, as specified.

This bill would require a copy of the audit be provided to the Senate and Assembly Committees on Governmental Organization.

Existing law prohibits specified persons from the unauthorized payment, distribution, receipt, or solicitation of purses or other consideration to or for the benefit of horsemen, except as expressly provided.

This bill would exempt payment by a licensed quarter horse racing association in the southern zone from this prohibition.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1 Section 19411.1 is added to the Business and
2 Professions Code, to read:

3 19411.1. "Handle" means the aggregate contributions to
4 parimutuel pools.

5 SEC. 2 Section 19440.5 of the Business and Professions Code
6 is amended to read:

7 19440.5. An annual audit shall be conducted of the financial
8 books and records of the horsemen's organizations, including any
9 subsidiaries of the horsemen's organizations, by a nationally
10 recognized accounting firm as follows:

11 (a) With respect to pension funds received by those
12 organizations pursuant to Sections 19533, 19613, and 19613.1,
13 the audit shall be conducted within 90 days of the close of the
14 fund's business year. The audit shall cover the period of time
15 since the last audit, and a copy thereof shall be filed with the
16 board, and the Senate and Assembly Committees on
17 Governmental Organization.

18 (b) With respect to administrative funds and welfare funds
19 received pursuant to Sections 19533, 19606.5, 19613, and 19641,
20 the audit shall be conducted within 90 days of the close of the
21 fund's business year. The audit shall cover the period of time
22 since the last audit, and a copy thereof shall be filed with the
23 board, and the Senate and Assembly Committees on
24 Governmental Organization.

25 (c) The horsemen's organizations shall bear the cost of the
26 audit.

27 SEC. 3 Section 19540 of the Business and Professions Code
28 is amended to read:

29 19540. In order to encourage and develop the racing of all
30 horses in California, regardless of breed, whenever a fair
31 conducts a program of horse races on which there is parimutuel
32 wagering, the fair, so far as practicable, shall provide a program
33 of racing that includes thoroughbred racing, quarter horse racing,

1 Arabian racing, and Appaloosa racing, if a sufficient number of
2 horses is available to provide competition in one or more races.

3 SEC. 4 Section 19590 of the Business and Professions Code,
4 as amended by Section 7 of Chapter 198 of the Statutes of 2001,
5 is amended to read:

6 19590. The board shall adopt rules governing, permitting, and
7 regulating parimutuel wagering on horse races under the system
8 known as the parimutuel method of wagering. Parimutuel
9 wagering shall be conducted only by a person or persons licensed
10 under this chapter to conduct a horse racing meeting, and only
11 within the enclosure and on the dates for which horse racing has
12 been authorized by the board. Wagering instructions concerning
13 funds held in an advance deposit wagering account shall be
14 deemed to be issued within the licensee's enclosure.

15 This section shall remain in effect only until January 1, 2008,
16 and as of that date is repealed, unless a later enacted statute, that
17 is enacted before January 1, 2008, deletes or extends that date.

18 SEC. 5 Section 19602 of the Business and Professions Code
19 is amended to read:

20 19602. (a) Notwithstanding any other provision of law, any
21 racing association located in this state may authorize betting
22 systems located outside of this state to accept wagers on a race or
23 races conducted or disseminated by that association and may
24 transmit live audiovisual signals of the race or races and their
25 results to those betting systems, except that any authorization is
26 subject to the consent of the host association and applicable
27 federal laws, including, but not limited to, Chapter 57
28 (commencing with Section 3001) of Title 15 of the United States
29 Code.

30 (b) (1) Except as provided in paragraph (2), any racing
31 association described in subdivision (a), when it authorizes
32 betting systems located outside of this state to accept wagers on a
33 race, shall pay a license fee to the state in an amount equal to 8
34 percent of the total amount received by the association from the
35 out-of-state betting system. In addition, with respect to
36 thoroughbred racing only, 3 percent of the amount remaining
37 after the payment of the license fee shall be deposited with the
38 official registering agency pursuant to subdivision (a) of Section
39 19617.2, and shall thereafter be distributed in accordance with
40 subdivisions (b), (c), and (d) of Section 19617.2. The remaining

1 amount received by the association shall be distributed to the
2 association that conducts the racing meeting and to horsemen
3 participating in that racing meeting as follows: 50 percent to the
4 association as commissions, and 50 percent to the horsemen as
5 purses. All rents, costs, and fees shall be deducted pursuant to a
6 contract between the association that conducts the racing meeting
7 and the horsemen participating in the racing meeting.
8 Notwithstanding any other provision of law, racing associations
9 may form a partnership, joint venture, or any other affiliation in
10 order to negotiate terms and conditions of agreements with
11 out-of-state betting systems.

12 (2) A thoroughbred association that hosts the series of races
13 known as the “Breeder’s Cup” shall not be required to pay to the
14 state the license fees required pursuant to paragraph (1).
15 Amounts received by the association from out-of-state betting
16 systems as wagers on Breeder’s Cup races shall be distributed as
17 follows: 50 percent as commissions to the association that
18 conducts the racing meeting, and 50 percent as purses to the
19 horsemen participating in the meeting.

20 (c) With the permission of the board, wagers accepted by
21 betting systems located outside of this state may be, but are not
22 required to be, included in the parimutuel pool of the association
23 that conducts the racing meeting in this state. If the wagers
24 accepted by betting systems located outside of this state are
25 included in the parimutuel pool of the association that conducts
26 the racing meeting in this state, the betting system located outside
27 of this state shall, if permissible under applicable law, deduct
28 from the total amount handled in each conventional and exotic
29 parimutuel pool the same total percentages deducted pursuant to
30 Article 9.5 (commencing with Section 19610) by the association
31 that conducts the racing meeting in this state. If the laws of the
32 jurisdiction in which the betting system is located do not permit
33 the betting system to deduct the same percentages as are
34 deducted by the association that conducts the racing *meeting*, the
35 board may, nonetheless, permit the inclusion of those out-of-state
36 wagers in the association’s parimutuel pool if the board
37 determines it to be in the public interest of this state to do so.

38 (d) If wagers accepted by an association conducting ~~racing~~ *a*
39 *racing meeting* within the state and wagers accepted by a betting
40 system located outside of the state are combined in one

1 parimutuel pool and the association and the betting system both
2 deduct the same total percentages as set forth in subdivision (c),
3 the breakage shall be allocated between the association and the
4 betting system on the basis of a calculation for distribution
5 approved by the board.

6 (e) If wagers accepted by an association conducting ~~racine~~ a
7 *racine meeting* within the state are combined in one parimutuel
8 pool with wagers accepted by a betting system located outside
9 the state and the association and the betting system deduct
10 different percentages from the amount handled in the parimutuel
11 pool, the precise calculation and distribution of payments on
12 winning tickets and breakage between the association and the
13 betting system shall be on the basis of a calculation for
14 distribution approved by the board.

15 (f) Breakage allocated pursuant to this section to an
16 association conducting ~~racine~~ a *racine meeting* within this state
17 shall be distributed in the same manner as would be breakage
18 arising from wagers at the association in the absence of a
19 combined parimutuel pool. This section does not apply to the
20 disposition of breakage allocated to the betting system located
21 outside of the state.

22 (g) If wagers accepted by a betting system located outside of
23 this state are included in the parimutuel pool of an association
24 conducting ~~racine~~ a *racine meeting* in this state, funds in the
25 parimutuel pool attributable to unclaimed tickets relating to
26 wagers accepted by the association conducting ~~racine~~ a *racine*
27 *meeting* within the state shall be distributed in the same manner
28 as unclaimed tickets relating to wagers accepted by that
29 association in the absence of a combined parimutuel pool. Funds
30 in the parimutuel pool attributable to unclaimed tickets related to
31 wagers accepted by the betting system located outside of this
32 state shall be allocated to that betting system, and this section
33 does not otherwise apply to the disposition of those funds at that
34 location outside of the state.

35 SEC. 6 Section 19618.2 is added to the Business and
36 Professions Code, to read:

1 19618.2. Subdivisions (a) and (b) of Section 19618 shall not
2 apply to any payment by a licensed quarter horse racing
3 association in the southern zone.

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